Required Report - public distribution

Date: 10/24/2013

GAIN Report Number:

Nigeria

Grain and Feed Update

Nigeria Remains a Strong Growth Market for Wheat

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Report Highlights:
Nigeria’s demand for wheat based foods is large and growing. The GON cassava flour import-substitution initiative is impacting U.S. wheat market share negatively but market share is expected to rebound as Nigeria and its neighboring countries continue to demand high quality wheat based foods and the market continues to grow.

Post:
Lagos

Production: Nigeria's domestic wheat production is small and dropped 20 percent from 100,000 tons in MY2011/2012 to 80,000 tons in MY 2012/2013. This low-level of production is due mainly to unfavorable local climatic conditions requiring expensive irrigation. Continued threats of "Boko Haram" terrorist activities in most states within the country's wheat growing belt in the northern region has mostly been responsible for the dropping production.

Demand: The country's consumption for wheat remained high reaching 4.1 million tons in 2012/2013. Demand is expected to reach 4.2 million tons in 2013/2014 as consumer demand for wheat based foods continues to climb in response to changing tastes as in domestic supplies of other substitute staple products within Nigeria and neighboring countries is not increasing to match population growth. The market gap is filled by wheat imports and wheat milling capacity was estimated at 6.2 million tons, with capacity utilization at 50 percent in 2012/13.

Policy: The Government of Nigeria (GON) initiated an Agriculture Transformation Agenda (ATA) to significantly increase production of five key crops (rice, cassava, sorghum, cocoa and cotton) and reduce food imports. Nigeria's climatic condition is unfavorable to commercial wheat production. The ATA also seeks to cut food imports through the introduction of levies and proposed import bans on essential staples.

To cut wheat imports and save foreign reserves for the country, the GON introduced a 15-percent levy on imported wheat grains thereby raising the total tariff from 5 to 20 percent in 2012/13. The GON also announced cassava inclusion requirement in wheat flour. The policy mandates cassava flour inclusion in wheat flour, starting with a 10 percent cassava flour inclusion rate, to increase steadily to 40 percent by 2015. Some fiscal incentives, such as duty-free import of related equipment and machinery, were also introduced. These resulted in rising prices for wheat flour and other wheat based foods.

Competition: Nigeria is one of the top three global markets for U.S. wheat (HRW) with exports averaging 3.0 million tons. The U.S. wheat is considered a high quality product and sells at premium. The imposition of additional levy increased prices for the millers, who have begun to pass along their increased costs.

Nigerian consumers are price sensitive and they are compensating for the increased costs of wheat based foods by seeking cheaper alternatives or shifting away from wheat products altogether. This made U.S. wheat slightly less competitive at about $300 per ton (C&F) as flour millers begin to patronize other less expensive wheat supply sources. They are seeking the cheapest wheat sources available to blend them with U.S. wheat to keep their wheat products competitive in the marketplace.

As a result, wheat suppliers from Russia, Australia, Canada, Ukraine, Kazakhstan and others are beginning to export more to Nigeria thereby reducing the U.S. market share. U.S. wheat exports were down about 200,000 tons in MY 2012/13 as compared to the previous year, and the U.S. market share slid to reach about 80 percent of the Nigerian market from 90 percent.

Prospects: Nigeria remains a growth market for wheat imports due mainly to its huge population of about 170 million people, with an annual population growth of 3 percent.

Even as the on-going Boko Haram conflict spreads to more states in the food-producing areas of northern Nigeria, over-the-border trade has also resumed to a degree and the movement of flour and other goods across the international borders has crawled back up slowly to nearly reach market demand levels.

Local flour millers have responded to the Minister's call for Cassava Bread by adjusting their buying patterns (importing) downward slightly and then remaining less active lately.

Conclusions/Recommendations: The U.S. has a strong reputation as a consistent and reliable supplier of high quality wheat, especially for HRW. Market analysts view that over time consumers will return to insisting on eating more of high quality, wheat flour based products. This will push U.S. wheat market share to grow again. These analysts also submit that if cassava inclusion into bread was actually feasible, Nigeria would be unable to meet cassava demand due to the country's inadequate cassava production.

Within the wheat and flour milling sector, Nigeria can better strengthen its economy by exploring the constantly growing domestic and export markets for wheat flour and other processed wheat foods. Considering the idle capacity of more than 3 million tons, the hungry domestic and regional markets, and the available ready-to-work unemployed labor in the flour milling and other wheat food processing industries can be developed quickly and strongly contribute to the nation's economy.

Exchange Rate: US$1 = 160 Naira

PS&D Table

Wheat Nigeria	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Jul 2011		Market Year Begin: Jul 2012		Market Year Begin: Jul 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	95	95	80	85	85	80
Beginning Stocks	200	200	200	200	200	200
Production	100	95	80	85	85	80
MY Imports	3,931	3,900	4,150	4,100	4,000	4,200
TY Imports	3,931	3,900	4,150	4,100	4,000	4,100
TY Imp. from U.S.	3,131	3,510	2,998	3,300	0	3,400
Total Supply	4,231	4,195	4,430	4,385	4,285	4,480
MY Exports	480	480	250	100	400	450
TY Exports	480	480	250	100	400	450
Feed and Residual	50	50	100	100	50	50
FSI Consumption	3,501	3,465	3,880	3,985	3,635	3,780
Total Consumption	3,551	3,515	3,980	4,085	3,685	3,830
Ending Stocks	200	200	200	200	200	200
Total Distribution	4,231	4,195	4,430	4,385	4,285	4,480
1000 HA, 1000 MT, MT/HA						